



THE GREATER KOKSTAD LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

MUNICIPAL MANAGER

M.A. NKOSI

CHIEF FINANCIAL OFFICER

L. NDZELU

**HOPE STREET
KOKSTAD
4700**

**P.O. Box 0008
Kokstad
4700**

THE GREATER KOKSTAD MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

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GENERAL INFORMATION

COUNCIL SPEAKER

Councillor M khutshwa

MEMBERS OF THE EXECUTIVE COMMITTEE

1. Councillor M. Sithole (Mayor)
2. Councillor N.Thabethe (Deputy Mayor)
3. Councillor W.D Bhengu

GRADING OF LOCAL AUTHORITY

GRADE 7

AUDITORS

Office of the Auditor General

BANKERS

First National Bank of South Africa

REGISTERED OFFICE

Municipal Offices	P. O. Box 8	Telephone: 039 797 6600
75 Hope Street	Kokstad	Fascimile: 039 - 727 3676
Kokstad	4700	
4700		

MUNICIPAL MANAGER

Mr. M.A. Nkosi

MANAGER : FINANCIAL SERVICES

Mr L. Ndzelu

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1-23 were approved by the Municipal Manager on 29 August 2008 and will be presented to next ordinary council for adoption.

MUNICIPAL MANAGER
(Accounting Officer)

EXECUTIVE MANAGER - FINANCIAL SERVICES
(Chief Financial Officer)

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FOREWORD BY THE HONORABLE MAYOR

The financial show that the municipality has achieved a surplus during the current financial year. This is pleasing, however we will endeavour during the next financial year to achieve a better cash flow position during our next financial year.

The current year has been a challenging year without the presence of a permanent municipal manager, however in light of our capacity challenges our incumbents have done a superb job.

The budget for the 2007/2008 financial year has been submitted to the National Treasury for approval. The emphasis will remain on maintaining sound financial control to ensure that spending is properly managed.

My thanks go the Acting Municipal Manager's and his staff and my fellow councilors for the hard work and cooperation during the year and the atmosphere in which I have been able to perform my duties.

I believe that with the dedication of everyone at council our work will go along way to achieving gratification of the communities within our Municipal boundary.

THE HONORABLE MAYOR
Mr. M. Sithole

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CHIEF FINANCIAL OFFICER'S REPORT

BACKGROUND

The Greater Kokstad Municipality is a grade seven municipality within the Sisonke District Municipality. It covers the major area of Kokstad and is on the edge of the Eastern Cape Province Border.

CHALLENGES

The municipality continues to face somewhat daunting challenges. It has to address challenges of Infrastructure, Tourism, Local Economic Development, poverty, the implementation of the Municipal Finance Management Act and finding other sources of revenue, while growing and achieving a higher collection rate from the current revenue base. While some of the key strategic objectives such as the implementation of the Municipal Performance Management System have been achieved, a substantial challenge on a number of developmental objectives lie ahead.

GENERAL

1. OPERATING RESULTS

	Actual 2007	Actual 2008	Variance % 2006/2007	Budget 2008	Variance % of actual to budget
Revenue	98 662 164	96 518 609	-2%	115 704 127	-17%
Total Expenditure	101 128 070	127 240 808	-21%	115 704 127	
Salaries, wages and allowances	35 366 589	40 411 170	-12%	40 312 601	0%
General expenses	51 464 786	69 717 841	-26%	49 110 623	-42%
Repairs and maintenance	1 076 002	1 920 365	-44%	3 303 919	42%
Capital charges	10 260 828	4 906 833	109%	5 781 934	15%
Contributions to fixed assets	0	5 768 176	-100%	13 786 894	58%
Contributions	2 959 865	4 516 422	-34%	3 408 156	-33%
Amounts charged out					
Net Deficit	-2 465 906	-30 722 200	-1146%		

2. ACCUMULATED (DEFICIT) / SURPLUS

The current year balance in the balance sheet reflects a net deficit of R27,858 million. This deficit is primarily attributable to a current year provision of doubtful debts amounting to R23.4 million and a debtors write off of R12.5m. The provision for doubtful debts reflects a total of consumer debtors that are on 120 days and above on our age analysis. For prudence purposes, we have to make a total provision in respect of these debtors. A further analysis of this accumulated deficit reflects that other than the prior year brought forward accumulated surplus of R3.327 million, the appropriation account has a net debit movement of R0.463m. Setting aside the impact of the doubtful debt provision and the debtors write off, the Municipality would have reported a current year deficit of R7.3m. While the accumulated deficit may be viewed in a negative light, we are of the view that it reflects the true state of affairs (long outstanding debtors) and our only challenge is wipe out this deficit in the three to four years.

3. OVERALL CASH POSITION

At year end, the council has investments with the local financial institutions totalling R16.3m (R25.2 million : 2007). The decrease in the cash position in relation to prior year is a reflection of the increased commitments (level of expenditure) in relation to prior year. However, the municipality remains in favourable position to discharge all its obligations and does not foresee any cash flow challenges.

4. ACCOUNTS RECEIVABLE

The debtors balance has decreased from R47.2 million in the prior year to R19.4 million in the current year. As mentioned under item 2 above, this decrease is as a result of the substantial provision of doubtful debts and the write off of some of consumer debtors in the current year. Further to this, sundry debtors of R7m in the prior year have also been liquidated.

5. CAPITAL AND FINANCING

No new loans were raised during the year. The downward movement (R2.5 m) on long-term liabilities in the balance sheet reflects the current year capital repayments.

6. EXTERNAL LOANS, INVESTMENTS AND CASH

The sum-total of external loans, investments and cash is that other than as reported in items 2, 3 and 5 above, there were no further changes in these balances in relation to prior year.

THE GREATER KOKSTAD MUNICIPALITY
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CHIEF FINANCIAL OFFICER'S REPORT

7. POST BALANCE SHEET EVENTS

No events subsequent to balance sheet occurred, that required a note in the financial statements or amendment to the amounts disclosed on the financial statements.

8. Fixed Assets

The net book value of fixed assets have decreased from an opening balance of R16.6 million to R14.9 million.

Cost of Fixed Assets	<u>2007</u>	<u>2008</u>	<u>Movement</u>
Rates and General	84 021 909	141 941 909	57 920 000
Housing	80 746 841	0	-80 746 841
Electricity	123 141 729	128 597 502	5 455 773
Public Improvement Fund	2 496 448	0	(2 496 448)
Total Assets	290 406 927	270 539 411	-19 867 516
Loans Redeemed	273 791 239	255 625 541	-18 165 697
	<u>16 615 688</u>	<u>14 913 869</u>	<u>-1 701 819</u>

9. EXPRESSION OF APPRECIATION

I would like to thank the mayor, councilors, municipal manager, heads of departments and the rest of the municipal personnel for their assistance and support during the year.

L. NDZELU
MANAGER - FINANCIAL SERVICES

DATE

THE GREATER KOKSTAD MUNICIPALITY
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Accounting Policies for the Annual Financial Statements

1. BASIS OF PRESENTATION

These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd Edition as amended).

The financial statements are prepared on the historical cost basis, except for the revaluation of land and buildings which are carried at fair value. Adjustments for capital expenditure are made and are more fully detailed in 3 below. Except where otherwise indicated, the accounting policies are consistent with those applied in the previous year.

The financial statements are prepared on the accrual basis:

Income is accrued when collectable and measurable. Certain direct income is accrued when received such as traffic fines and licenses.

Expenditure is accrued for in the year in which it is incurred.

2. CONSOLIDATION

The balance sheet includes the Rates and General Services, Housing Services, Trading Services and the different funds, reserves and provisions. Assessment rates, refuse removal and electricity are treated as income and expenditure in the respective departments.

3. FIXED ASSETS

Fixed Assets are stated at cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by donation whilst they are in existence and fit for use. Land and buildings are stated at revalued amounts being the fair value at the date of revaluation.

3.1 DEPRECIATION

The balance shown against the heading "loans redeemed and other capital receipts" in the notes to the balance Sheet is tantamount to a provision for depreciation; however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from various Council funds, assets may also be acquired through:

Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and it is therefore unnecessary to make any further provision for depreciation.

External contributions, grants and subsidies, where the amount representing the value received is immediately credited to the "loans redeemed and other capital receipts" account.

All proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited either to the relevant department in which the asset was purchased or to the Capital Development Fund.

Capital assets are financed from different sources, including external loans and contributions, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the services concerned at the ruling interest rate applicable at the time the advance is made.

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Accounting Policies for the Annual Financial Statements

4. INVENTORY

Consumable stores are valued at the lower of cost and net realisable value. Inventory is valued at weighted average cost.

5. FUNDS AND PROVISIONS

5.1 Capital Development Fund

The local Authorities Ordinance (No.25 of 1974) requires that a minimum contribution of 3% of the total revenue accruing to the rate and general services and relevant trading services be made to the Capital Development Fund.

5.2 Public Improvement Fund

The local Authorities Ordinance (No. 25 of 1974) requires that all monies not otherwise appropriated by law received by the Council from any alienation of immovable property, any endowments payable in terms of Section 16(2) of the Town Planning Ordinance (No. 27 of 1949) and any proceeds of any loan raised by the Council for the purchase or improvement contemplated in terms of paragraph (b), (c) and (d) (i) of section 103(3), shall be paid into the Public Improvement Fund.

5.3 Bad Debts Provision

Provision for bad debts is raised to meet the likely non-payment for services consumer debtors.

5.5 Leave Provision

Provisions are recognised when the municipality has a present obligation as a result of past events and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Provision for staff leave represents a sum of the present obligation by the Municipality in respect of leave due and payable at year end.

THE GREATER KOKSTAD MUNICIPALITY
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Accounting Policies for the Annual Financial Statements

6. TRADE CREDITORS

Invoices are recognised on the accrual basis of accounting. Amounts at year end have occurred and are liable.

7. SURPLUSES AND DEFICITS

A portion of the surplus generated by the Electricity Services is used to reduce the deficit in the Rates and General Services.

8. INVESTMENTS

Investments are stated at the lower of cost or market value if a permanent decline in the value has occurred. Municipal investments are made in accordance with the provisions of the Local Authorities Ordinance ,No.25 of 1974.

9. INCOME RECOGNITION

9.1 Electricity Billing

Service charges relating to electricity are based on consumption. Consumer meters are read on a monthly basis and are recognised as revenue when invoiced. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

9.2 Refuse

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Fixed tariffs are determined per category of property usage.

9.3 Assessment Rates

A general rate is levied based on the property value of land only. Differential rebates are granted to various sectors which include State-owned property, disadvantage sectors of the community and State pensioners.

GREATER KOKSTAD MUNICIPALITY
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Accounting policies for the Annual Financial Statements

10. TREATMENT OF ADMIN AND OTHER OVERHEAD EXPENSES

The cost of internal support services is transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).

11. LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

12. RETIREMENT BENEFITS

The Greater Kokstad Municipality and its employees contribute to the Kwa-Natal Joint Municipal Pension Fund or the Kwazulu - Natal Joint Municipal Provident Fund which provides retirement benefits to employees. The Councillors contribute to the Municipal Councillors Pension Fund. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and is in accordance with the requirements of the Pension Funds Act, 1956. Current contributions are charged against operating income on the basis of current service costs in accordance with a defined contribution plan scheme.

**THE GREATER KOKSTAD MUNICIPALITY
BALANCE SHEET AS AT 30 JUNE 2008**

	Note	2008 R	2007 R
CAPITAL EMPLOYED			
<i>FUNDS AND RESERVES</i>			
STATUTORY FUNDS	1	44 159 390	40 851 606
ACCUMULATED (DEFICIT) / SURPLUS	2	(27 858 189)	3 327 088
LONG-TERM LIABILITIES	3	11 954 949	14 956 954
CONSUMER DEPOSITS	4	2 282 135	2 249 979
		30 538 285	61 385 627
<i>EMPLOYMENT OF CAPITAL</i>			
FIXED ASSETS	5	14 913 867	16 615 685
LONG-TERM DEBTORS	7	-	-
		14 913 867	16 615 685
NET CURRENT ASSETS		15 624 418	44 769 942
CURRENT ASSETS		38 904 305	72 741 173
INVENTORY	8	424 769	328 628
INVESTMENTS	6	16 245 186	25 201 604
DEBTORS	9	19 480 807	47 162 251
LONG-TERM DEBTORS: SHORT-TERM PORTION	7	-	43 340
CASH AND OTHER CASH EQUIVALENTS	16	2 753 543	5 350
CURRENT LIABILITIES		23 279 887	27 971 231
CREDITORS	11	17 939 154	21 117 789
BANK OVERDRAFT	16	-	813 241
PROVISIONS	10	2 381 812	3 632 057
LONG TERM LIABILITIES: SHORT-TERM PORTION	3	2 958 921	2 408 144
		30 538 285	61 385 627

THE GREATER KOKSTAD MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
59 344 643	76 642 710	(17 298 068)	RATES AND GENERAL SERVICES	62 862 911	95 509 363	(32 646 452)
45 860 077	59 806 472	(13 946 395)	Community services	50 030 018	76 786 860	(26 756 842)
4 456 012	9 952 561	(5 496 549)	Subsidised services	5 052 446	12 200 886	(7 148 440)
9 028 553	6 883 677	2 144 876	Economic services	7 780 447	6 521 617	1 258 830
39 317 521	24 485 359	14 832 162	TRADING SERVICES	33 655 697	31 731 445	1 924 252
98 662 164	101 128 069	(2 465 906)	TOTAL	96 518 609	127 240 808	(30 722 200)
		12 116 761	Appropriations for the year (refer note 2)			(463 078)
		9 650 855	Net surplus / (deficit) for the year			(31 185 277)
		(6 323 767)	Accumulated (deficit) / surplus at the beginning of the year			3 327 088
		3 327 088	ACCUMULATED SURPLUS / (DEFICIT) AT THE END OF THE YEAR			(27 858 189)

THE GREATER KOKSTAD MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH (APPLIED TO) / RETAINED FROM OPERATING ACTIVITIES			
Cash (utilised) / generated by operations	14	(31 128 495)	10 245 055
Investment income	13	862 456	1 803 510
Decrease / (increase) in working capital		23 750 540	(32 832 308)
Proceeds on disposal of fixed assets		1 701 818	10 525 989
Finance costs	13	<u>(919 239)</u>	<u>(2 347 710)</u>
CASH UTILISED BY OPERATIONS		<u>(5 732 919)</u>	<u>(12 605 464)</u>
CASH UTILISED IN INVESTING ACTIVITIES			
Decrease in long-term debtors		<u>-</u>	<u>76 823</u>
NET CASH FLOW		<u>(5 732 919)</u>	<u>(12 528 641)</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease) / increase in statutory funds		3 307 784	2 959 865
(Decrease) / increase in long-term loans		(3 002 005)	3 227 695
Increase in consumer deposits		32 156	22 502
Decrease in cash investments		8 956 418	5 268 837
(Increase) / decrease in bank balances and cash		<u>(3 561 434)</u>	<u>1 049 742</u>
NET CASH UTILISED		<u>5 732 919</u>	<u>12 528 641</u>

THE GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
1. Statutory funds		
Capital development fund	38 633 220	35 705 036
Public Improvement fund	5 526 170	5 146 570
	44 159 390	40 851 606
(Refer to appendix "A" for more details)		
2. Accumulated surplus		
<i>Appropriations</i>		
Accumulated surplus / (deficit) at the beginning of the year	3 327 088	(6 323 767)
Deficit for the year	(30 722 200)	(2 465 906)
Appropriations for the year	(463 078)	12 116 761
Prior year adjustments	(463 078)	12 116 761
Accumulated (deficit) / surplus at the end of the year	(27 858 190)	3 327 088
3. Long-term Liabilities		
Planet Finance - R2 888 595 variable	1 101 277	1 448 398
INCA - R 8 000 000 @ 16.75%	3 737 364	4 631 066
INCA - R 5 800 000 @ 12.26%	5 403 685	5 746 797
INCA - R 7 000 000 @ 11.87%	4 671 544	5 538 837
Less: Short-term portion	2 958 921	2 408 144
Planet Finance - R2 888 595 variable	347 120	304 039
INCA - R 8 000 000 @ 16.75%	1 051 595	893 702
INCA - R 5 800 000 @ 12.26%	390 389	343 111
INCA - R 7 000 000 @ 11.87%	1 169 817	867 292
	11 954 949	14 956 954
(Refer to appendix "B" for more details)		
4. Consumer Deposits		
Electricity Deposits	2 282 135	2 249 979
Balance at the end of the year	2 282 135	2 249 979

THE GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008	2007
	R	R
5. Fixed Assets		
Fixed assets at the beginning of the year	290 406 924	270 024 229
Fixed asset disposals	(1 052 341)	-
Audit adjustments	-	-
Capital expenditure during the year	12 645 101	21 882 902
Less: Fixed assets written off, transferred or sold	(31 460 276)	(1 500 207)
Total fixed assets	<u>270 539 408</u>	<u>290 406 924</u>
Less: Loans redeemed and other capital receipts	(255 625 541)	(273 791 239)
Net fixed assets	<u>14 913 867</u>	<u>16 615 685</u>
(Refer to Appendix "C" for more information).		
6. Investments		
Unlisted investments		
6.1 Short-term investments (call accounts) held at the First National Bank		
Reserve Account - Daily Call Account	31 000	1 099 986
Geographical Information Systems (GIS) Account	186 959	187 039
Financial Management Grant	243 311	298 764
People's Housing Process	200 794	186 580
General Conditional Grant	-	8 642
Drought Relief Fund	-	1 474 741
Municipal Infrastructure Grant (MIG)	197 741	709 646
Secured Investment Account	2 816 597	3 213 200
Consolidated Municipal Improvement Funding	5	1 341 629
Municipal Systems Infrastructure Grant - MSIG	170 243	2 221 793
Recovery Plant Account	-	5 947 506
National Electricity Regulatory Fund	-	1 017
Collateral - FNB	6	9 863
Municipal Finance Management Act	-	23 351
Valuation Roll Account	-	22 006
Municipal Development Capacity Building	155 691	384 224
Land Use Management Systems (LUMS)	69 326	103 392
Province Project Consolidate	-	1 286 164
Performance Management System	-	6 099
Horseshoe Housing	1 997 183	3 288 270
Stormwater Drainage	-	164 537
Gijima Account	27 798	11 137
Bhekintaba Substation	2 386 652	2 048 062
Human Resources System	114 538	143 040
Public Participation	114 781	126 288
Audit Unit	-	10 663
Municipal Improvement Infrastructure Programme	221 386	202 481
Restructuring of Electricity Development		
Services (REDS)	166 040	151 861
Sports Upgrade Facility (SFU)	118 722	-
Meter Audit (Project Consolidate)	1 052 922	-
Land Use Proceeds	362 003	-
Municipal Offices	5 083 538	-
Subtotal	<u>15 717 236</u>	<u>24 671 981</u>

THE GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
6. Investments		
Unlisted investments		
6.2 Short-term investments (call accounts) held at ABSA		
Collateral Absa	20 792	20 736
Absa Recovery Plan	-	1 729
Subtotal	<u>20 792</u>	<u>22 465</u>
6.3 Short-term investments (call accounts) held at the New Republic Bank	<u>507 158</u>	<u>507 158</u>
Grand-total	<u>16 245 186</u>	<u>25 201 604</u>
Management's valuation of unlisted investments	<u>-</u>	<u>25 201 604</u>
Average rate of return on investments	6%	6%
Circular number 25 issued by the Provincial Legislature requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be		
No investments were written off during the year.		
No investments have been pledged as security for any funding facilities of the council.		
7. Long-term debtors		
Vehicles loans	0	43 340
Less: Short-term portion	<u>(0)</u>	<u>(43 340)</u>
	<u>-</u>	<u>-</u>
8. Inventory	<u>424 769</u>	<u>328 628</u>
9. Debtors		
Consumer debtors	31 786 963	34 710 615
Vat Debtor	10 210 297	12 702 890
Sundry debtors	<u>859 274</u>	<u>8 252 603</u>
	<u>42 856 534</u>	<u>55 666 108</u>
Provision for bad debts	<u>(23 375 727)</u>	<u>(8 503 857)</u>
	<u>19 480 807</u>	<u>47 162 251</u>

THE GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008	2007
	R	R
10. Provisions		
Leave provision	2 381 812	2 832 057
Audit fee provision	-	800 000
Councillor Backpay	-	-
	<u>2 381 812</u>	<u>3 632 057</u>
11. Creditors		
Trade creditors	9 059 554	10 220 971
Sundry deposits	361 265	323 421
Advance payments	8 518 335	10 573 397
	<u>17 939 154</u>	<u>21 117 789</u>
12. Councillors' Remuneration		
Mayor's allowance	450 579	259 469
Councillor's allowance	1 531 186	764 324
Deputy Mayor's Allowance	363 343	110 631
	<u>2 345 108</u>	<u>1 134 424</u>
Managers' Remuneration		
Municipal Manager (Acting 2007)	655 858	326 088
Manager: Financial Services	469 356	580 438
Manager: Corporate Services	469 356	459 055
Manager: Social Development	404 542	433 471
Manager: Infrastructure	541 928	170 000
	<u>2 541 040</u>	<u>1 969 052</u>
13. Financial transactions:		
<i>Total external interest earned or paid</i>		
Interest Income	862 456	1 803 510
Interest paid	(919 239)	(2 347 710)
	<u></u>	<u></u>
<i>Capital charges debited to operating account</i>		
Interest: External	919 239	2 347 710
Interest: Internal	-	-
Redemption: External	2 451 228	4 058 904
Redemption: Internal	-	-
	<u>3 370 466</u>	<u>6 406 614</u>

THE GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
14. Reconciliation of deficit for the year to cash (applied to) / generated by operations		
Deficit for the year	(30 722 200)	(2 465 906)
Adjustment for:		
Appropriations added to income	(463 078)	12 166 761
Finance costs	919 239	2 347 710
Investment income	(862 456)	(1 803 510)
Cash (applied to) / generated by operations	<u>(31 128 495)</u>	<u>10 245 055</u>
15. Working capital changes		
Increase in inventory	(96 140)	(2 807)
Decrease / (increase) in debtors	27 681 444	(19 283 453)
Decrease in short-term portion of long-term debtors	43 340	58 970
Decrease in creditors	(3 178 635)	(14 174 195)
Decrease in provisions	(1 250 245)	(262 033)
Increase in short-term portion of long-term liabilities	550 777	831 210
Decrease / (increase) in working capital	<u>23 750 540</u>	<u>(32 832 308)</u>
15. Cash and Other Cash Equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Main Bank Account (overdraft) - FNB	2 755 174	(813 241)
Other cash resources	(1 631)	5 350
	<u>2 753 543</u>	<u>(807 891)</u>
The Main Bank Account is held at the Kokstad Branch of the First National Bank and is a current account.		
16. Investments Summary		
Housing	1 997 182	3 288 270
Infrastructure	2 754 641	6 321 134
Financial Assistance	544 863	6 616 843
Other	10 948 499	8 975 357
	<u>16 245 185</u>	<u>25 201 604</u>

Investments totalling R10 000 have been ceded as surety against housing deposits.

THE GREATER KOKSTAD MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008	2007
	R	R
18. MFMA Expense Disclosures		
Audit Fees	788 591	565 102
Medical Aid Costs	1 200 077	1 194 586
Pension Fund Contributions	4 244 070	4 065 970
Primary Taxation	-	-
Duties	-	-
	<u>6 232 738</u>	<u>5 825 658</u>

19. Contingent Liabilities

Management have not identified any contingent liabilities that affect the Municipality at year end.

20. Capital Commitments

Commitments in respect of capital expenditure:

	2008	2007
	R	R
Infrastructure	22 100 343	6 615 677
Kransfontein Access Bridge	-	1 382 381
Rehabilitation of Kokstad Roads	10 500 000	-
Shayamoya Taxi Route	9 377 455	-
Upgrading of Mary Park Stadium	1 162 870	-
Construction of Horse Shoe Road - Phase I	-	5 233 296
Bongweni Stadium	1 060 018	-
Other	-	700 000
Personnel data cleansing	-	200 000
Telephone management solution	-	500 000
Total	<u>22 100 343</u>	<u>7 315 677</u>

This expenditure will be financed from:

- External Loans	-	5 800 000
- Government grants	8 018 338	1 515 677
- Own resources	14 082 005	-
	<u>22 100 343</u>	<u>7 315 677</u>

THE GREATER KOKSTAD MUNICIPALITY

APPENDIX A

Accumulated Funds, Trust funds, Reserves and Provisions for the Year Ended 30 June 2008

	Balance at 2007/06/30	Adjustment during the year	Contributions during the year	Balance at 2008/06/30
	R	R	R	R
Statutory Funds:				
Capital development fund	(37 218 611)	1 513 575	(2 928 184)	(38 633 220)
Public Improvement Fund	(5 146 570)	-	(379 600)	(5 526 170)
	(42 365 181)	1 513 575	(3 307 784)	(44 159 391)
	42 365 182	1 513 575	(3 307 784)	(44 159 391)

THE GREATER KOKSTAD MUNICIPALITY

APPENDIX B

External Loans for the Year Ended 30 June 2008

	Balance at 30/06/2007	Redeemed / write off during the year	Balance at 30/06/2008
	R	R	R
EXTERNAL LOANS			
Annuity Loans			
INCA - R 8 000 000 @ 16.75%	4 631 066	(893 702)	3 737 364
Planet Finance - R2 888 595 variable	1 448 398	(347 121)	1 101 277
INCA - R 5 800 000 @ 12.26%	5 538 837	(867 293)	4 671 544
INCA - R 7 000 000 @ 11.87%	5 746 797	(343 112)	5 403 685
	-		-
TOTAL EXTERNAL LOANS	17 365 098	(2 451 228)	14 913 870

THE GREATER KOKSTAD MUNICIPALITY
APPENDIX C: ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2008

SERVICE	Balance at 1.7.2007 R	Current year expenditure R	Redeemed transferred written off or revalued R	Disposals	Balance at 30.6.2008 R
RATES & GENERAL SERVICES	84 021 909	10 572 157	48 400 184	-1 052 341	141 941 909
Fixed Assets	3 146 496	-	-3 146 496	-	-
Land and buildings	2 182 762	-	75 856 916	-297 678	77 742 000
Moveable Assets	-	-	-	-	-
Civic Buildings	6 866 888	-	-6 866 888	-	-
Cemeteries	120 907	-	-120 907	-	-
Disposal Site	73 932	-	-73 932	-	-
Roads & Streets	42 679 173	8 964 889	6 850	-	51 650 912
Staff Housing	5 117 202	-	-5 117 202	-	-
TV Transmitter	47 732	-	-47 732	-	-
Health Assets	-	-	-	-	-
Office Furniture & Equipment	1 861 301	59 630	901 278	-111 320	2 710 889
Computer Equipment	1 978 445	200 701	-76 096	-206 105	1 896 945
Vehicles & Plant	4 084 950	1 345 535	2 772 491	-428 136	7 774 840
Swimming Pool	166 461	-	-166 461	-	-
Tools & Equipment	667 178	1 402	-493 155	-9 102	166 323
Abattoir Assets	39 566	-	-39 566	-	-
Local Affairs	1 524 703	-	-1 524 703	-	-
Sewerage Assets	-	-	-	-	-
Bhongweni	13 227 314	-	-13 227 314	-	-
Bulk Services	236 899	-	-236 899	-	-

HOUSING	80 746 841	2 072 944	-82 819 785	-	-
Riverview	41 288	-	-41 288	-	-
East view	4 180	-	-4 180	-	-
South end / Geluksdal	851 825	-	-851 825	-	-
Bhongweni Housing	3 151 833	-	-3 151 833	-	-
Franklin Housing Project	18 685	-	-18 685	-	-
Bhongweni Area 5 & 6 and 12 & 13	40 644 448	2 072 944	-42 717 392	-	-
Area 9 & 10	53 871	-	-53 871	-	-
Shayamoya 236 sites	1 278 461	-	-1 278 461	-	-
Shayamoya Ph.1 & 2	34 702 250	-	-34 702 250	-	-

TRADING	123 141 729	-	5 455 773	-	128 597 502
Electricity	123 141 729	-	5 455 773	-	128 597 502

PUBLIC IMPROVEMENT FUND	2 496 448	-	-2 496 448	-	-
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FIXED ASSETS	290 406 927	12 645 101	-31 460 276	-1 052 341	270 539 412
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Less: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	273 791 239	15 096 328	-32 209 684	-1 052 341	255 625 541
Loans redeemed and advances repaid	41 588 424	2 451 227	3 420 839	-	47 460 490
Contributions from operating Income	8 751 016	5 295 025	-1 078 659	-754 663	12 212 719
External Contributions	4 024 255	-	-3 139 943	-	884 312
Grants and Subsidies	219 198 524	7 350 076	-31 411 921	-297 678	194 839 001
Proceeds ex Sale of Assets	229 020	-	-	-	229 020

NET FIXED ASSETS	16 615 688	-2 451 227	749 408	-	14 913 870
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THE GREATER KOKSTAD MUNICIPALITY

APPENDIX D

Analysis of Operating Income and Expenditure for the year ended 30 June 2008

Actual 2007 R		Actual 2008 R	Budgeted 2008 R
Income			
25 953 753	Subsidies	20 297 024	23 330 119
15 953 881	Equitable share	19 563 024	18 997 000
9 999 872	Government and Provincial grants	734 000	4 333 119
72 708 411	Operating income	76 221 584	92 374 008
22 244 161	Assessment rates	20 599 324	23 460 483
39 317 521	Sale of electricity	33 635 629	41 147 428
11 146 729	Other income	21 986 631	27 766 097
98 662 164	Total income	96 518 609	115 704 127
Expenditure			
35 366 589	Salaries, wages and allowances	40 411 170	40 312 601
51 464 786	General expenses	69 717 841	49 110 623
1 076 002	Repairs and maintenance	1 920 365	3 303 919
10 260 828	Capital charges	4 906 833	5 781 934
-	Contributions to fixed assets	5 768 176	13 786 894
2 959 865	Contributions	4 516 422	3 408 156
101 128 070	Gross Expenditure	127 240 808	115 704 127
-2 465 906	Net Deficit	-30 722 200	-

THE GREATER KOKSTAD MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

Actual Income 2007 R	Actual expenditure 2007 R	Surplus / (Deficit) 2007 R		Actual Income 2008 R	Actual expenditure 2008 R	Surplus / (Deficit) 2008 R	Budget Surplus/Deficit 2008 R
98 662 164	101 128 069	-2 465 905	Rates and general services	96 518 609	127 240 808	-30 722 200	297 454
45 860 077	59 806 472	-13 946 395	Community Services	50 030 018	76 786 860	-26 756 842	-514 830
22 244 161	-	22 244 161	General Rates	20 599 324	-	20 599 324	22 777 168
2 628 440	12 470 256	-9 841 816	Administration	4 596 301	11 422 345	-6 826 043	-1 516 324
319 593	1 491 797	-1 172 204	Library	33 615	1 037 251	-1 003 635	-1 383 640
18 994 714	18 651 470	343 244	Treasury	22 412 794	38 107 981	-15 695 188	7 286 208
530 048	2 040 767	-1 510 719	Customer Care Centre	424 290	1 514 261	-1 089 971	-881 215
-	367 903	-367 903	Clinic	-	-	-	-
83 570	1 145 754	-1 062 184	Cemetery	82 608	1 116 449	-1 033 841	-1 570 392
52 226	3 078 908	-3 026 682	Parks & Recreation	25 087	2 976 471	-2 951 384	-2 633 510
-	-	-	Housing Administration	-	-	-	-
162 494	2 469 950	-2 307 456	Town Engineer : Administration	292 937	3 174 219	-2 881 282	-4 207 584
12 556	9 235 395	-9 222 839	Roads & Streets	11 771	8 392 786	-8 381 015	-7 949 493
-	-	-	Sport	-	-	-	-
832 275	4 939 808	-4 107 533	Municipal Manager	1 551 290	4 916 300	-3 365 010	-5 997 631
-	3 914 464	-3 914 464	Councillors Administration	-	4 128 798	-4 128 798	-4 438 417
4 456 013	9 952 562	-5 496 549	Subsidised Services	5 052 446	12 200 886	-7 148 440	-4 183 068
-	1 071 559	-1 071 559	Workshop	-	1 174 505	-1 174 505	-1 051 680
629 706	702 023	-72 317	Health Services	101 949	2 304 088	-2 202 139	-310 007
3 091 429	4 107 169	-1 015 740	Protection Services	3 626 670	4 606 841	-980 171	-306 176
370 900	1 699 851	-1 328 951	Fire	916 407	2 232 104	-1 315 697	-898 232
363 978	2 371 960	-2 007 982	Estates	407 420	1 883 348	-1 475 928	-1 616 973
9 028 553	6 883 676	2 144 877	Economic Services	7 780 447	6 521 617	1 258 830	-641 578
9 028 553	6 832 506	2 196 047	Cleansing	120 995	395 539	-274 544	-591 570
-	51 170	-51 170	Sewerage-vacuum tank	7 659 452	6 126 078	1 533 374	-50 008
39 317 521	24 485 359	14 832 162	Trading Services	33 655 697	31 731 445	1 924 252	5 636 930
39 317 521	24 485 359	14 832 162	Electricity	33 655 697	31 731 445	1 924 252	5 636 930
98 662 164	101 128 069	-2 465 905	Total	96 518 609	127 240 808	-30 722 200	297 454
		12 116 761	Appropriations for the year (Refer to note 17)			-463 078	
		9 650 856	Net surplus / (deficit) for the year			-31 185 277	
		-6 323 767	Accumulated (deficit) / surplus at the beginning of the year			3 327 089	
		3 327 089	Accumulated surplus / (deficit) at the end of the year			-27 858 189	

THE GREATER KOKSTAD MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION

	2007/2008	2006/2007
General statistics		
Population	65 870	64 446
Properties		
- State	83	60
- Industrial	99	108
- Residential	7 588	7 632
- Commercial	114	102
- Other	194	163
Valuation date: 1 July 2000		
Land Value	158 750 902	151 070 090
Rateable Value	152 335 222	138 504 910
Non Rateable Value	6 415 680	12 565 180
Number of erven:	7 590	7236
Number of employees	388	377
Electricity statistics		
Units (kWh) purchased	81 900 495	81 231 830
Units (kWh) sold ('000)	81 534 986	80 825 670
Units (kWh) gained / (lost) with distribution	-365 509	-406 160
Percentage loss	0.5	1